

Flexibility, location key to Highlands' success

By Kathie Sutin
SPECIAL TO THE POST-DISPATCH

When the Highlands amusement park existed at Forest Park, one of the most-popular rides was the Comet roller coaster.

Real estate developers in the St. Louis region may feel like they have been on the Comet as of late with all up the ups and downs they have seen. But one developer that has close ties to the old amusement park seems to be riding on a carousel instead.

Flexibility and location have helped Highlands at Forest Park, Balke Brown Associates Inc.'s 26-acre mixed-use development that sits across Highway 40 from the softball fields, to be successful.

Two office buildings in the complex, Highlands Plaza One and Plaza Three, are 100 percent leased. And the 63,000-square-foot Plaza Two at 5700 Oakland Avenue is 75 percent pre-leased. The steel framework for that building already is up.

Don Land, a principal at Balke Brown, said location is a major reason for the project's success.

"We're right on the highway; we've got great visibility; it's a great location right across from Forest Park," he said.

The site formerly housed the St. Louis Arena, also known as the Checkerdome, and the old Highlands amusement park.

The 150,000-square-foot Plaza One has been 100 percent leased since it opened eight years ago, Land said. Main tenants are Daniel & Henry Co. and Clear Channel Communications Inc. Balke Brown's offices are there as well.

Plaza Three, a four-story, 82,000-square-foot building that opened in April, has two tenants — Barnes-Jewish Hospital and Mid-America Transplant Services, which also is a partner in the ownership of the building.

"It's sort of a dichotomy to the downtown office market, where buildings are struggling to keep tenants and it's super competitive," Land said. "We're getting rents here as high as almost anywhere in town with the exception of Clayton. And the only buildings that have higher rents in Clayton are brand new buildings, and they have to pay for parking, too."

The Highlands offers free parking.

This is not to say that the project hasn't run into some bumps along the way. One of the original tenants of Plaza One was A.G. Edwards. But in 2002, the brokerage wanted to buy out its lease. It had consolidated its offices at its midtown campus and no longer needed the space.

Balke Brown, however, didn't want to give up the good-credit tenant. Eventually, a deal was reached and Clear Channel took A.G. Edwards' space.

When Balke Brown first planned the Highlands, it was thinking of it mostly as an office park, with as many as seven to eight office buildings. But after the recession hit at the beginning of the decade, the plan changed to include a residential element. This proved to be a wise choice.

The Lofts at the Highlands, a \$40 million complex of loft apartments on the site, opened in 2005. The two apartment mid-rises are at 95 percent occupancy, Land said.

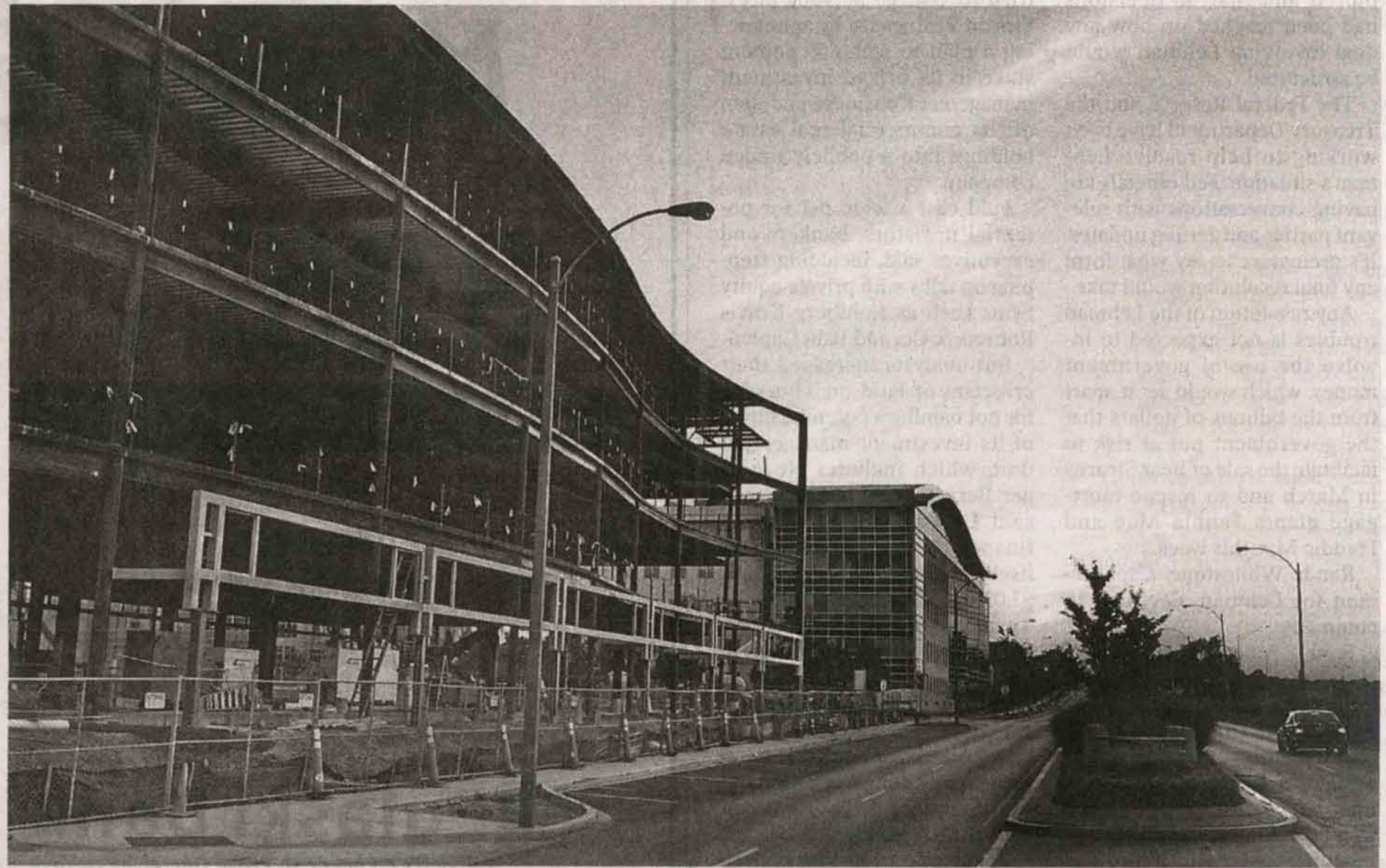
Scott Bazoian, principal and senior vice president with Colliers Turley Martin Tucker, sees Balke Brown's flexibility as key to the Highlands success. "They've done well over the years by deviating from their original plan and turning it into a more multi-use kind of development," he said. "They've been successful because of their flexibility in developing plans for the overall site."

In 2006, Balke Brown added a Hampton Inn and Suites hotel and a restaurant to the complex.

"It's done extremely well," Land said. "Occupancy has always been over 80 percent," he said.

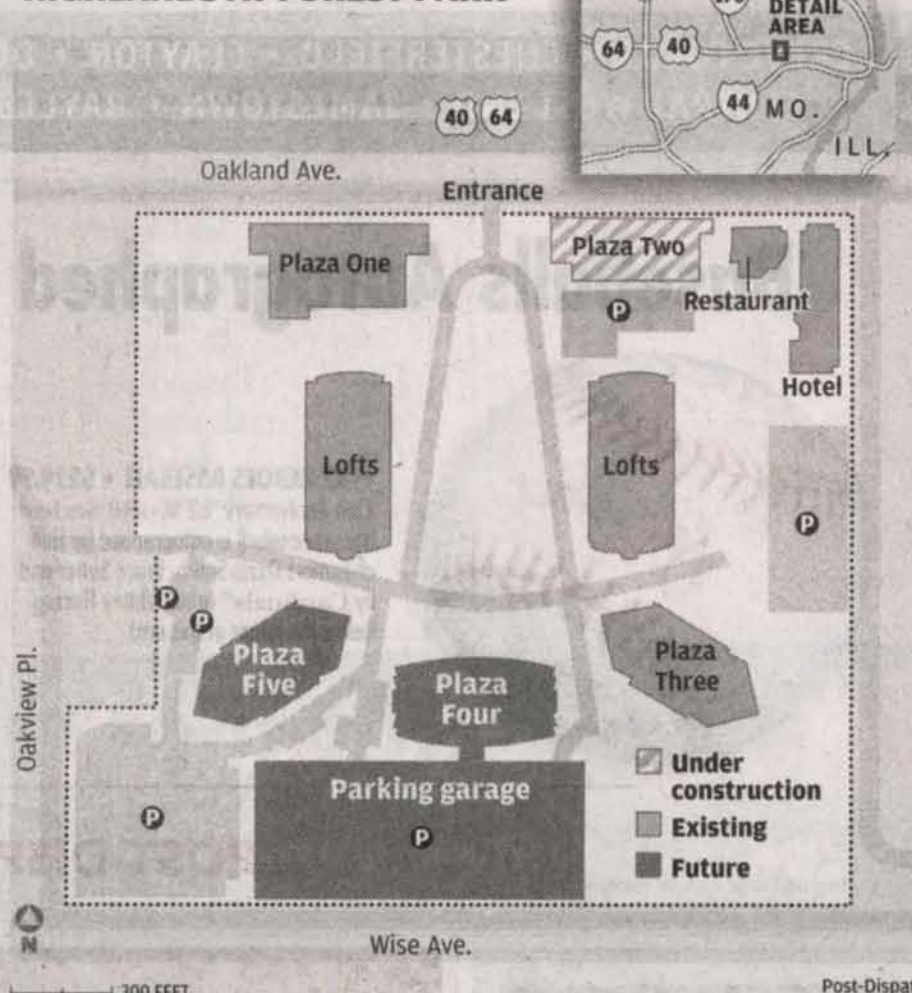
Initially, Balke Brown was the franchisee for the hotel and a Krieger's restaurant also on the site. But the company did not want to be in the hotel-management business, so it sold the restaurant and the hotel to Raymond Management, a hotel management company from Madison, Wis., in October, he said.

Raymond leased the restaurant to Krieger's corporate, which ran it for a while and then closed it. Recently, Raymond re-leased the restaurant to a group that's operating it as an eatery called The Highlander.



Balke Brown Associates Inc. is building another office tower at its Highlands at Forest Park mixed-use development across Highway 40 from Forest Park in St. Louis. Erik M. Lunsford | Post-Dispatch

HIGHLANDS AT FOREST PARK



David Morris, senior vice president of Grubb & Ellis/Gundaker, agreed. "It offers a nice variety in the type of properties," he said. "The hotel is a nice density with medical, hotel, restaurant and office space. It's not an overly huge project so they've been able to take down their parts of the ground in manageable pieces."

"Pent-up demand from the Central West End" and the fact that the project offers the only new office space in the city for some time has also benefited the project, Morris said. With good visibility and good ingress and egress from the highway, the project also has "a lot of little elements that really bring a lot of value to that location," he said.

Still, even with the development's rosy occupancy rates, the cooled-down economy has cast a bit of a shadow on the newest building. Retail space on the first floor of the Highlands Two remains unleased. The building is slated for completion in April.

"That's because every retailer in the country put every new re-

tail branch that they were planning on hold back in February," Land said. "It seems like the retail sector has just kind of closed down any expansion plans — at least for the time being."

And though the company's tilt-up style of construction also helps keep costs down and rents more competitive, the cost of steel and other materials are pushing down the margins.

"It's just so extremely high right now," Land said. "They (the costs) have been increasing for the last five years pretty steadily, but they spiked up again within the last 12 months."

Looking down the road, Land sees room for two more buildings on the remaining eight acres on the site.

Preliminary plans call for a second, larger medical office building, he said.

"We might do at some point in the future another multifamily project, or we might do another office building," Land said. "It depends on what the market wants. It's all dictated by demand."